Adding exchange to charity: a reference price explanation

Barbara Briers, Mario Pandelaere and Luk Warlop

Barbara Briers is a Ph D student in marketing, Mario Pandelaere is post doctoral researcher, and Luk Warlop is Professor of marketing at the Department of Applied Economics, K.U.Leuven, Naamsestraat 69, 3000 Leuven, Belgium.

Correspondence concerning this article should be addressed to Barbara Briers, Department of Applied Economics, K.U.Leuven, Naamsestraat 69, 3000 Leuven, Belgium. E-mail: barbara.briers@econ.kuleuven.be; Tel: +32 16 32 69 47; fax: +32 16 32 67 32.

Abstract

Charities often request donations while offering of a near-worthless token, like a key chain, in exchange. Little research has examined whether such 'exchange' requests are met with higher compliance rates than merely asking people to donate. Our studies suggest that in mere donation settings people may have difficulties to estimate a socially acceptable donation amount and therefore prefer opportunities that provide them with an anchor price. The value of a material good in a donation setting can play this anchoring role and signal a reference price. To the extent that the suggested reference price is low enough, exchange requests lead to more compliance than mere donation requests. In addition, our results indicate that, when accompanied by specified amounts, mere donation requests result in even better compliance rates than exchange requests.

Keywords: Fundraising; Donation behavior; Exchange; Reference price; Anchor

1. Introduction

Economists and social psychologists have often attempted to understand charitable giving from the supply side of donations: "Why should people make sacrifices for others?" Recently, however, researchers have recognized the importance of considering also the demand for donations, that is, the fund-raising side of the market. Fund-raising has developed to a huge, sophisticated and competitive business (Andreoni, 2005). Although there is not much literature or data collection on fund-raising strategies, there is a great deal of 'common' knowledge about the best fund-raising practices. For example, charities and nongovernmental organizations are known to bundle donation requests with an often near-worthless exchange, like a plastic key chain, a pencil, or a set of postcards that you may never use. In doing so, they present the donation request as an exchange, or an economic transaction. Intuition and some research (Holmes, Miller, and Lerner 2002) suggest that adding some return utility to a donation may make donating more attractive, even if the resulting utility is minimal or even illusionary.

In this paper, we examine why consumers react positively to donation requests that are framed as the sale of a product. We propose that an exchange may increase compliance (relative to a simple donation request) primarily because it signals an anchor or a reference price to which potential donors can compare candidate contributions. We test this hypothesis against the currently popular view that the exchange of a token provides an alibi for the donation, against a powerful social norm promoting the pursuit of self interest (Miller & Ratner, 1998; Miller, 1999).

2. Exchange as an alibi

Holmes et al. (2002) argue that a powerful societal norm of self-interest precludes people to behave altruistically. In fact, even individuals who experience strong feelings of compassion may be hesitant to act on those feelings because of this norm. People think that most other people are mainly driven by self-interest (Miller & Ratner, 1998). They prefer self-interested behavior, to avoid being exploited by self-interested others, or to avoid social disapproval for being 'irrational' (Miller & Ratner, 1998; Miller, 1999). Even in a completely anonymous setting people might still want to obey the norm of self-interest because they have internalized the belief that it is the appropriate and rational thing to do (Tyler, Huo, & Lind, 1999).

Framing the donation as a commercial exchange may therefore provide potential donors a 'psychological cover', which enables them to act altruistically (i.e. an excuse for not complying with the norm of self-interest). It gives them the opportunity to show their genuine compassion, while avoiding the negative feelings associated with violating the norm of self-interest.

Construing a donation as a transaction has the additional advantage that it can limit the implications for the self of what Lerner (1986) calls 'justice motive'. By responding to appeals for unconditional help, one creates a moral and psychological duty to be helpful to all other persons or groups worthy of help in the future: "If I help now, I'll always have to help!" Engaging in a commercial transaction does not generate the same moral commitment.

3. Exchange as an anchor

Prior research in marketing, however, suggests an alternative explanation for why consumers prefer combinations of donations and token products over mere donation requests. When confronted with a donation request, the potential donor needs not only to decide whether to give, but also how much to give. Just like consumers may have difficulties in estimating the price of a service due to a lack of the cost of good sold (Bolton, Warlop, & Alba, 2003; Xia, Monroe, & Cox, 2005), we assume that in a mere donation setting potential donors experience difficulties determining what would be an appropriate donation amount. For economic reasons they may want to avoid too large a contribution, while too small a contribution may be perceived as inappropriate. Decision difficulty often leads to choice deferral (Dhar, 1996). And similarly, potential donors may make no contribution at all if determining the appropriate donation appears too difficult.

The option to buy something instead of just donating, may therefore increase the incidence of donations because the reference price of the token product introduces an implied reference donation. Comparable to the finding that first offers serve as anchors and strongly predict final settlement prices in a negotiation situation (Galinsky & Mussweiler, 2001), we suggest that, when exchange is added to donation, the value of the product in exchange may serve as an anchor that is used to determine the expected donation amount and thus may influence the decision to donate.

Such an 'anchor'-interpretation of exchange in donation settings is consistent with earlier findings of Fraser, Hite, and Sauer (1988). They stated that potential contributors probably form an impression of some minimally socially acceptable anchor point to which

potential contribution amounts are compared. Amounts greater than the minimum anchor are regarded as generous, and amounts smaller than the minimum are regarded as socially unacceptable. In that sense, an overpriced exchange may signal a donation price that is equal to or even higher than the perceived donation price in mere donation settings. Asking a lot of money in exchange of a worthless token might be perceived as unfair. In addition, because helping someone in need should not lower one's outcomes below a deserved level (Miller 1999), compliance with donation requests coupled with overpriced exchanges may not help or even decrease compliance rates compared to mere donation settings.

In contrast, a low priced exchange product may signal a donation price that is lower than the perceived donation price in mere donation settings. Moreover, low priced exchanges may legitimize small contributions and, therefore, render most excuses for noncompliance (e.g. "We can't afford to help.") inappropriate and make refusal socially embarrassing. This assumption is supported by Cialdini and Schroeder's (1976) finding that, in a door-to-door charity drive, a reminder to potential donors that 'even a penny will help', significantly increased the number of donations without affecting their average size. They argued that people are more likely to donate in this case because of self-presentation concerns (see also Brockner, Guzzi, Kane, Levine, & Shaplen, 1984; Reeves, Macolini, & Martin, 1987; Reingen, 1978).

This 'self-presentation' explanation might also account for the findings of Holmes et al. (2002) who obtained an increase of donations in the exchange condition, but only when the beneficiary's need was said to be high (as opposed to low or moderate). Although Holmes et al. contended that the offer of an economic exchange might increase donations by creating 'psychological cover'; it may equally be due to a 'psychological coercion'. More specifically, the offer of helping charity for a minimal amount in exchange of a token may increase donations because it renders it difficult for people to refuse help and still see themselves as just and decent (i.e. comply with the social norm of need or social responsibility; e.g. Berkowitz, 1972; Darley & Latane, 1970).

Finally, if the presence of an anchor or reference price is an important factor in triggering donations, the association of mere donations and fixed prices should cause similar effects. That is, compliance rates in a mere donation setting should also be elevated when giving potential donors the opportunity to donate a specified small amount. Requesting specific large donation amounts, on the other hand, should decrease the probability of compliance. In that context, Schwarzwald, Bizman and Raz (1983) already showed that in

combination with the foot-in-the-door paradigm donation sizes can be elevated by requesting specified amounts. Still, the foot-in-the-door technique is a *gradual* persuasion technique in which an initial, modest request is followed by a subsequent, larger request. In our research, however, we want to test whether compliance rates can be enlarged by requesting specified amounts, *without* the aid of a proceeding modest request.

4. Empirical research

The main goal of this research was to test an anchoring mechanism for the role of adding exchange to charity. We expected more people to donate in exchange of a product compared to a mere donation condition. However, we expected this effect of exchange to be moderated by its price. Indeed, rather than providing the subjects with a psychological cover as the exchange fiction hypothesis suggests, a *low token price* may urge people to donate as it provides them with a comfortable indication of the expected amount; that is the signal of a 'fair' price. On the other hand, *an overpriced token* or too high an anchor may not help or may even inhibit people from donating. Further, if an exchange can 'help or hurt' depending on its price, we hypothesize that specifying contribution amounts in the context of mere donations should bring about compliance rates that are comparable to those in exchange settings.

5. Study 1

In the first study, we explored the effect of an exchange on the incidence and amount of donations. We thereby controlled for the frivolous or functional nature of the token exchange, because in the context of bundling charity donations to the purchase of a product (e.g. for every package of its coffee sold during the Christmas Holidays, Douwe Egberts® recently donated one serving of coffee to the homeless), Strahilevitz and Myers (1998) found that charity incentives were more effective in promoting frivolous products than practical products. They suggested that donations complement or neutralize the negative feelings associated with indulging in frivolous consumer behavior (see also Kivetz & Simonson, 2002). By means of a pre-test we obtained two products that differ significantly in frivolity, but score equally on a functionality-scale: regular and colored staples.

To explore our prediction that an exchange might signal an anchor or reference price that may induce people to donate, we asked participants to estimate the value of the offered products either before or after the donation decision. If people are more likely to donate

when their attention is first drawn to the product value, this would yield further support for our assumption that the value of the product in the exchange serves as an anchor that guides people in their donation decision.

5.1. Method

5.1.1. Participants. A total of 144 volunteer undergraduate economics students participated in this scenario study which was part of a written questionnaire, conducted in groups of about 20 people.

5.1.2. Materials and procedure. The participants were randomly assigned to one of three experimental conditions. They were asked to donate to a charity without a product being offered (mere donation), donate in exchange of the 'functional' staples (practical exchange), or donate in exchange of the 'frivolous' staples (frivolous exchange). The charity used in the scenario was described as follows: "An organization that delivers basic medicine for the treatment of diseases as malaria, tuberculosis, and sleeping disease in parts of Africa, Asia, & Latin-America". In the exchange conditions, a picture of the staples accompanied the appeal. Participants had to indicate whether or not they would be willing to donate and how much.

In the exchange conditions, we also asked participants to estimate the shop value of the product either before or after the donation request. As the shop value of a product may somehow differ from the value participants think its worth to them on that moment in time, we added a third exchange condition in which we asked participants before the donation request how much they would pay for the product if they would have the chance to buy it 'here and now, under these circumstances'. The donation request and the value estimation were always presented on different sheets of paper.

In all, then, our design consisted of 1 mere donation condition and 6 exchange conditions. The latter represented a 2 (type of product: functional vs. frivolous) by 3 (combination of questions: (1) donation request before shop value, (2) shop value before donation request, and (3) 'here&now-value' before donation request) design.

5.2. Results

The frivolous versus functional nature of the token did not significantly affect our results. We therefore collapse over this factor in our analysis. This leaves three different conditions in which participants where offered an exchange: donation request before shop value (Exchange 1), shop value before donation request (Exchange 2), and 'here&now-value'

before donation request (Exchange 3). Together with the mere donation condition (Donation), this leads to four different experimental conditions (see Table 1 for the different cells).

5.2.1. Compliance probability. A logistic regression with donation (yes versus no) as the criterion, and experimental condition as the predictor, revealed a main effect, LR $\chi^2(3) = 14.81$, $p = .002$ (see Table 1). In line with our hypothesis, planned contrasts revealed that the compliance rate was significantly higher in the conditions where participants had to estimate the value first (Exchange 2 & Exchange 3) than in the conditions where participants had to decide whether or not to donate first (Donation & Exchange 1), LR $\chi^2(1) = 12.65$, $p = .0004$. Moreover, the compliance rate was not significantly higher in the exchange condition in which the donation question was asked first (Exchange 1) than in the mere donation condition (Donation), LR $\chi^2(1) < 1$, *ns*. The compliance rate was significantly higher in the exchange conditions in which a value question was asked first (Exchange 2 & Exchange 3) than in the exchange condition in which the donation question was asked first (Exchange 1), LR $\chi^2(1) = 5.58$, $p = .02$.

Insert Table 1 about here

In an additional analysis of the exchange conditions we also included the value that participants estimated. This analysis revealed a marginally significant interaction between the estimated value and the position in which the value questions were asked, LR $\chi^2(1) = 3.27$; $p = .071$: When participants had to estimate the value first (Exchange 2 & Exchange 3), the donation intention decreased as the estimated value increased; when participants received the donation question first (Exchange 1), the estimated value had no effect on the compliance rate.

5.2.2. Contribution revenues. Since within-condition donations were not normally distributed, a logarithmic transformation (X + 1) was applied. On the data of the participants who made contributions ($N = 89$; two outliers were excluded from analysis using ± 3 SD), we conducted an ANOVA with amount as the dependent variable and experimental condition (4 levels) as the independent variable. A main effect of experimental condition was obtained, $F(3, 85) = 7.70$, $p = .0001$. Subjects in the mere donation condition donated significantly more, $F(1, 85) = 22.42$, $p < .0001$, than those in the exchange conditions.

In an additional analysis of the exchange conditions ($N = 67$), we again included the

estimated value (i.e. shop value or 'here & now' value dependent on the condition; logarithmic transformed) as a covariate. This ANCOVA revealed a significant positive effect of the estimated value on the contribution size, $F(1, 63) = 31.50$, $p < .0001$: The higher participants estimated the product value, the more they contributed if they donated.

5.3. Discussion

Overall, participants were more likely to donate when offered an exchange than when no exchange was presented. Intriguingly, within the exchange conditions, participants appeared more likely to donate when they first had to estimate the value of the exchange than when they first had to indicate whether they would donate or not. In addition, in the exchange conditions where participants had to estimate the value first, the likelihood of donation decreased as the estimated value went up. In the exchange condition where participants first had to decide whether or not to donate, the estimated value was not related to the outcome of the donation decision.

Possibly, in a donation situation, people try to construct some minimally socially acceptable anchor point against which candidate contribution amounts are compared. As the magnitude of that lower anchor increases, the magnitude of the contribution will increase, but the probability of compliance will decrease (cf. Fraser et al. 1988). Indeed, the higher our participants estimated the value, the less likely they were to comply with the donation request, but the more money they were planning to donate if they did decide to donate.

Asking participants to estimate the value of the product *before* they decided to donate may have cued a 'donation anchor'. The product value (shop value c.q. the value participants think it is worth to them on that very moment), probably functioned as a reference price and gave people an indication of the expected donation amount. In addition, as the product was rather inexpensive, the donation anchor was for most participants sufficiently low to persuade them to donate. In the mere donation condition, participants may not only have had more difficulty to construct a donation anchor, they also may have constructed a more elevated donation anchor. Two pieces of evidence support this assumption. First, the variance of the donation amount (logarithmic transformed) was much higher in the mere donation condition (SD = .34) than in the exchange conditions (SD = .22): $F(1, 87) = 7.21$, $p = .009$ (Levene's Test for Equality of Variances). Second, for the donating participants, donation amount was significantly higher in the mere donation condition than in the exchange conditions. In fact, the median amount donated in the mere donation condition was rather elevated (Md = €10).

Many participants in the mere donation condition presumably overestimated the 'cost' of donating, and hence decided not to donate. This is consistent with the assumption that participants in the mere donation condition lack an anchor that informs them on an acceptable donation amount. In the exchange condition, such an anchor is provided by the shop value or 'here&now' value (whichever is measured) of the product that is offered in exchange for the donation.

One potential alternative explanation for the findings in Study 1 deserves mention. The fact that people donate more easily when they first have to estimate the product value, may be similar to a foot-in-the-door effect. The foot-in-the-door paradigm suggests that compliance breeds compliance. Having agreed to an initial request, individuals infer that they are helpful and cooperative. When then confronted with a second and larger request, people are more likely to comply so as to maintain a consistent self-image. In our experiment, the value estimation question might have functioned as the first modest request, which was then followed by the second and larger donation request. Although we doubt the validity of this alternative explanation because answering a value question is hardly comparable to a compliance request, we try to rule it out by collecting additional data in Study 2.

6. Study 2

Study 2 provides a more critical test of our hypothesis that people donate more easily when their attention is drawn to a low product value. In addition, we also test whether an exchange can be 'overpriced' and consequently, can inhibit people from donating compared to a mere donation baseline condition. Finally, in the current study, participants have to make a real donation decision, rather than a decision in a scenario. That is, if they decide to donate, they actually have to give some money.

As the type of product did not matter in Study 1, we use only colored paperclips in the exchange condition. To test our hypothesis, we manipulate the value of the paperclips (€3 vs. €0.50). We hypothesize that the €0.50 paperclips will signal a 'fair' donation price, a socially acceptable anchor which will persuade people to donate. The €3 paperclips, conversely, can represent too large an anchor that does not induce but rather inhibits people to donate compared to the mere donation context.

6.1. Method

6.1.1. Participants. Participants were 184 undergraduates (from several majors), who were

paid €7 for their participation in a number of unrelated experiments, ending with the current study.

6.1.2. Material and procedure. Participants were invited to the lab in groups of at most eight people. In a brief introduction they were told that they would participate in a series of unrelated experiments. At the end of the session when participants had been paid €7, registered and thanked for their participation, they received an envelope with the invitation to donate. They were asked to have a look at it in their cubicle before leaving the room. The letter explained that the Marketing Department organized its annual donation drive, and that all marketing students and experimental participants were given the chance to make a donation as well. The money would go to 'an organization that delivers basic medicine for Africa, Asia, & Latin-America', as in Study 1.

Participants were randomly assigned to one of four experimental conditions: They were invited (1) to just donate (mere donation condition), (2) to donate in exchange of paperclips without a shop value mentioned (no value exchange condition), (3) to donate in exchange of paperclips with a mentioned shop value of €3 (€3-exchange condition), (4) or to donate in exchange of paperclips with a mentioned shop value of €0.50 (€0.50-exchange condition). This shop value was mentioned between brackets after the description of the offered product. In the exchange conditions, the product (colored paperclips) was included in the envelope. Participants were told that they could take the product home when donating some money; any amount was said to be appreciated. To make any donation between €0.50 and 7 € possible, the €7-endowment was paid in coins of €0.50, €1, and €2. Finally, all participants were asked to close the envelope and leave it in the big donation box at the entrance of the laboratory. This donation box was used to increase the feeling of anonymity. Donations were actually contributed to Doctors Without Borders.

6.2. Results

6.2.1. Compliance probability. A logistic regression with donation (yes versus no) as the criterion, and experimental condition as the predictor, confirmed our hypotheses. There was a main effect of experimental condition, LR $\chi^2(3) = 12.23$, $p = .007$ (see Table 2). The compliance rate was significantly higher in the €0.50-exchange condition than in the mere donation condition, LR $\chi^2(1) = 5.63$, $p < .02$. In contrast, the compliance rate was slightly lower in the €3-exchange condition than in the mere donation condition, although the difference did not reach significance, LR $\chi^2(1) < 2$, *ns*. In summary, we found evidence for

the moderating role of the price of an exchange in triggering potential donors. Price does matter; the compliance rate was significantly higher in the €0.50-exchange condition than in the €3-exchange condition, LR $\chi^2(1) = 11.05$, $p = .0009$.

Although the compliance rate was slightly more elevated in the no-value exchange condition than in the mere donation condition, this difference was not significant, LR $\chi^2(1) < 2$, *ns*.

Insert Table 2 about here

6.2.2. Contribution revenues. We conducted an ANOVA on the data of the donating participants ($N = 102$) with donation amount as dependent variable and experimental condition (4 levels) as independent variable. Since donations were again not normally distributed, a logarithmic transformation (X + 1) was applied. The amount donated was affected by the experimental condition, $F(3, 98) = 6.7$, $p < .0001$. Not surprisingly, the participants in the €3-condition donated on average more than those in the other conditions. The other conditions did not significantly differ.

6.3. Discussion

In this study, the 'exchange' effect appears to be dominated by the price of the token. In line with Study 1, the €0.50-token signaled a comfortable reference price, leading to an elevated compliance rate. However, as the price of the token increased to €3, the compliance rate plummeted. For larger donation requests to be effective, they have to be perceived as lying within a plausible range for donation (Doob & McLaughlin, 1989).Whereas €3 is often used as a real donation price by NGO's, many students in this context (they had just worked an hour to receive €7) may not have perceived the €3 as lying within a plausible range of acceptance.

In the no-value exchange condition, the compliance rate was lower than in the €0.50-exchange condition, but still higher than in the €3-exchange condition. Possibly, in this condition, the presence of the token itself might have signaled an implicit reference amount, that is not as 'low' as €0.50 or as 'high' as €3.00 (M_2 = €1.93). As in Study 1, we notice a slight (but not significant) increase in compliance rate in the no-value exchange condition (i.e. Exchange 1 condition in Study 1) compared to the mere donation condition in which they received no indication at all.

Finally, when looking at the results of Study 2, the alternative food-in-the-door

explanation of Study 1 seems to be no longer valid. In Study 2, there was no initial value estimation that could have functioned as a first modest request. In that sense, the estimated value in Study 1 has the same anchoring function as the mentioned shop value in Study 2: Whether participants first have to estimate the product value (Study 1) or whether the value is already mentioned, people donate more easily when they are presented with a low product value, as opposed to an exchange setting in which no price indication is present.

7. Study 3

In Study 1, some participants in the exchange conditions were asked to estimate the value of the product before deciding to donate. This apparently gave them a comfortable reference price, a rather low 'donation anchor'. In the mere donation condition, on the other hand, participants lacked a donation anchor; they had problems in estimating a 'fair' price, and even constructed a more elevated donation anchor. As a result, the compliance rate was higher in the exchange conditions than in the mere donation condition. In Study 2, however, we found that the compliance rate in exchange conditions critically depends on the price of the token. If the token price is sufficiently low, compliance with a donation request increases relative to a mere donation situation. If the token price is rather high, compliance with a donation request decreases relative to a mere donation situation.

To the extent that the offer of a token exchange merely signals an expected donation amount, one might wonder whether influencing compliance rates requires an exchange at all. In fact, providing people with an explicit low reference price in a mere donation setting might be enough to cause comparable results to the low priced token exchange in Study 1 and 2. By the same reasoning, similarly low compliance rates as in high-priced exchange conditions may be obtained when donation requests are accompanied by an explicit high reference price. These issues are addressed in our third study.

7.1. Method

7.1.1. Participants and design. A total of 196 undergraduates participated in this between-participants computerized questionnaire study. The questionnaire was part of one hour session of unrelated experiments in the lab. Participants were paid €6 for completing the entire questionnaire packet.

7.1.2. Procedure. We told participants we were investigating their donation behavior. The general instruction read as follows: 'To be able to adjust the annual donation drive of the

Marketing Department, we want some feedback concerning your donation preferences. You will be presented with ten different hypothetical situations. Please try to indicate for each situation whether you would donate or not.' All scenarios explained that the Marketing Department each year organized a donation drive and that all marketing students and experimental participants were given the chance to make a donation as well; after an experimental session participants were supposedly approached to make a donation.

Participants were randomly assigned to one of five experimental scenarios. In the mere donation scenarios, they were asked to indicate whether or not they would donate and if so, how much. In the low and high priced donation condition they were asked whether or not they would donate €0.50 or €3. In the low and high priced token condition they were asked whether or not they would donate in exchange of a € 0.50 or €3 token, respectively. As mentioned earlier, all scenarios were repeated ten times, using ten different charities in all conditions and ten different products in the exchange conditions. The pairing of charities and products was randomized for each participant in the exchange conditions separately.

7.2. Results

7.2.1. Compliance probability. We conducted a logistic regression with the *proportion* of 'yes'-responses as the criterion, and experimental condition as the predictor. A significant main effect of experimental condition was obtained, LR $\chi^2(4) = 107.72$, $p < .0001$ (see Table 3). As expected, people in the low priced conditions (donation & exchange) were more likely to comply than people in the high priced conditions, LR $\chi^2(1) = 67.96$, $p < .0001$, and than people in the mere donation baseline condition, LR $\chi^2(1) = 65.83$, $p < .0001$, respectively. As in Study 2, however, the frequency of compliance in the high priced conditions did not significantly differ from the mere donation baseline condition, LR $\chi^2(1) < 2$, *ns*.

Unexpectedly, the proportion of participants agreeing to offer money was greater in the priced donation conditions (low & high) than in the priced exchange conditions (low & high), LR $\chi^2(1) = 14.71$, $p = .0001$. Moreover, the compliance rate was significantly higher in the high priced donation condition than in the mere donation condition, LR $\chi^2(1) = 7.59$, $p = .0059$. The compliance rate did not significantly differ between the high priced exchange condition and the mere donation condition, LR $\chi^2(1) < 1$, *ns*. Finally, the difference between exchange and priced donations was comparable for a high (3.00 €) and low price (0.50€), LR $\chi^2(1) < 1$, *ns*.

Insert Table 3 about here

7.2.2. Contribution revenues. In the current study, only in the mere donation condition, participants could decide on the amount they were willing to donate. As in Study 1, the large variance (SD = 11) of the donation amount in the mere donation condition is consistent with our assumption that potential donors, in the absence of an anchor (i.e. an exchange), experience problems in determining a socially acceptable donation amount. Participants presumably overestimate the 'cost' of donating (*Md* = €5.00) and hence decide not to donate at all. The other four conditions exhibit fixed prices and participants could not alter this amount. Contrary to the first two studies, participants received no instruction that any amount would be appreciated. In that sense, analyzing the contribution revenues in the current study yields no additional insight.

7.3. Discussion

The data support our hypothesis that bundling mere donations with fixed prices would generate similar results as bundling donation requests with priced tokens. The presence of a small or large reference price in a mere donation setting can apparently fulfill the same 'anchoring' function as an exchange. Moreover, our data show that 'priced' donations are met with an even higher compliance than the corresponding exchange conditions. Most counter-intuitive is the fact that the high priced donation request yields significantly greater probability of compliance than the mere donation condition. As for the high priced exchange request, we notice a small but insignificant drop in compliance compared to the mere donation setting. We assume therefore that not the high price in itself seems to be responsible for the low compliance rate in the high priced exchange condition, but a high price in exchange of a near-worthless token. Rather than pure economic reasons, feelings of exploitation may be part of the excuse for not donating in exchange of high priced tokens: 'The postcard presumably is less expensive in the supermarket'. Bundles of mere donations and fixed prices possibly entail a smaller risk that potential donators feel exploited.

8. General discussion

In three studies, we find support for an anchoring mechanism for the role of adding exchange to charity. People react positively to bundles of a donation request and the offer of a near-worthless token because tokens signal a low anchor amount, a 'fair' price. Our results do not decisively rule out the exchange fiction explanation of Holmes et al. (2002). In fact,

our first two studies are still in line with their theory of the norm of self-interest. Nevertheless, we think that our anchoring explanation goes beyond the exchange fiction and allows a broader understanding of donation decisions than Holmes et al.'s account. Indeed, Study 3 shows that the anchoring exchange product can just as well be replaced by requesting a specified donation amount; this finding cannot be accommodated in Holmes et al.'s exchange fiction theory as no exchange is present.

In a mere donation setting, people lack a reference price. In their attempt to estimate a socially acceptable donation amount, they overestimate the cost of giving and thus decide not to donate. The offer of a token, on the contrary, signals a reference price or an anchor to which other donation amounts may be compared (Fraser et al., 1988). A 'low' socially acceptable anchor will urge people to donate as it signals a 'fair' price and leaves people feeling 'trapped' in a good deal. A 'high' socially unacceptable or too large an anchor, on the contrary, may inhibit people from donating. Feinberg (1986), however, found more people donating a larger amount when a credit card (i.e. a 'spending' cue) was present. Feinberg's finding may be explained by the fact that a credit card signals a large but unspecified amount, that is, a vague indication of an expected contribution that could not be perceived as lying 'outside' the plausible range of acceptance.

Like an exchange can 'help or hurt' depending on its price, a combined use of mere donations and specified contribution amounts can similarly influence compliance rates. Moreover, priced donations work even better than the offer of an exchange. We put forward that the transparency of the donation deal may play an important role here. In a mere donation setting, people know that their money in its entirety would be given to the described charity whereas in the exchange setting the actual cost of the product remains somewhat ambiguous. We think this transparency might be the reason why in the studies of Holmes et al. (2002) the exchange conditions (when target need was 'high') triggered more compliance than the priced donation conditions. In their experiments, the product cost and the net donation value were explicitly mentioned in the request (e.g. "This candle costs $2 in the shop, we sell it for $3, so $1 will go to charity.").

Finally, we conclude that the price of a small token has to be well considered. If the token is perceived as being 'overpriced', people may be inhibited from donating, possibly due to feelings of exploitation. A participant's post experimental reaction demonstrates this: "How odd it may seem, I would rather just donate €3 than to buy a useless postcard!" This is consistent with the observation that offering a product in exchange of a donation may trigger

self-serving motivations and 'economic' thoughts about the usefulness of the product, whereas merely asking for a donation could trigger more social equity concerns (Van Dijk, 2003). In that sense, bundles of mere donations and fixed prices are the safest option. Moreover, in terms of total revenue they generate higher revenues: first of all due to the higher compliance rates, and secondly because there is no product cost to subtract.

9. Caveats and future research

The first limitation of our research is that two of our three studies were scenario studies and did not measure real behavior. Nevertheless, the compliance rate (our main dependent variable) is quite comparable across the three experiments. On the other hand, the mean amount donated in the mere donation condition was substantially higher in our scenario studies (Studies 1 & 3), than in our study that entailed real behavior (Study 2). This is consistent with the notion that people do not always have a perfect insight in how they would behave in certain situations (Nisbett & Wilson, 1977).

A second limitation is that our participants were all college students. It is important to assess the validity of our findings across other populations. Integrating the findings of Brockner et al. (1984), Cialdini and Schroeder (1976), and Fraser et al. (1988), we note that the size of the anchor points may change over time due to inflation and are probably population dependent (e.g. students vs. business men). Accordingly, we suggest the €3-token condition might result in different compliance rates in another population and/or several years from now.

Third, it is possible that the application of charity related tokens, which the donator can use to 'signal' his social reliability (e.g. an HIV ribbon or an Amnesty candle), would generate different results. In this case reputation concerns might be involved in the donation decision (Milinski, Semmann & Krambeck, 2002).

An interesting avenue for future research is to test whether priced donation requests, compared to mere donation requests, can also improve response rates in a direct mail context. For example, although legitimizing small contributions significantly increased the number of donations in a door-to-door charity drive (Cialdini & Schroeder, 1976), this technique failed to boost compliance rates in a direct mail fund-raising (DeJong & Oopik, 1992). There is evidence that donations in a direct mail campaign can be strongly influenced by choosing appropriate quantities in the request (Desmet & Feinberg, 2002), but so far these appeal scales have not been tested against a mere donation setting.

In this research, the charities we used were rather major and well-known in the country. It would be interesting to investigate whether Sinha and Batra's finding (1999) that consumers are more price conscious when they perceive price unfairness by national brands (which results in private label purchases), also holds for charities. If consumers are also more price conscious when they perceive price unfairness by national charities, well-known national charities would have to pay extra attention when determining their token prices. Moreover, local charities (e.g. local basket ball team) then may even have a competitor's advantage of using 'higher' prices before being perceived as 'unfair'.

Finally, in our studies, participants' donation decisions were influenced by an informative anchor and participants were probed to consider the anchor as a possible donation value. Future research should also explore whether similar results can be obtained by means of 'basic anchoring'. Basic anchoring is the situation in which people's judgements of a target are influenced by a numerical anchor that is completely uninformative (e.g. a number generated by a wheel of fortune) and where people are not asked to consider the anchor as a possible target value (cf. Wilson, Houston, Etling & Brekke, 1996). Suppose, for example, that students before answering the donation request had just written down the price of a beer, which happens to be €1.50. Would this unrelated and uninformative small numerical anchor induce them to donate?

10. Epilogue

Each day people perform acts of altruism. To economists this phenomenon is difficult to explain: If people are all selfish utility maximizers, why should they make sacrifices for others? Several explanations have been proposed to address this question. These include the desire to experience a 'warm glow' (e.g. Isen & Levin, 1972), a need to view oneself as good and kind (Walster, Berschield & Walster, 1973), an aspiration to 'do the right thing' (Dawes & Thaler, 1988), a quest for moral satisfaction (Kahneman & Knetsch, 1992), or a signal of social reliability to gain indirect reciprocity or political reputation (Milinski et al., 2002). What these explanations all have in common is the underlying assumption that helping other people gives you something in return. This suggest that one way of thinking about charitable giving is to view potential donors as consumers seeking some return utility from donating money. However, because they are already buying something 'immaterial' (e.g. a warm glow), perhaps we do not need to offer them an additional material good (e.g. a candle). Crucial in the marketing of donations is to make the transaction as smooth as possible. We

should offer them an indication of a comfortable expected donation amount. In other words, we should just *'name them a price'*.

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Table 1 Donation Rate and Median Amount Donated as a Function of Experimental Condition

	Mere Donation	Exchange		
		1	2	3
First question	Donation[a]	Donation	Shop Value	'Here & Now'
	(*n* = 48)	(*n* = 32)	(*n* = 35)	(*n* = 29)
Donation rate	46%	56%	80%	80%
Non zero median amount	€ 10.00	€ 2.75	€ 4.00	€ 3.50

Note. [a]The donation question was also the only question in this condition.

Table 2 Donation Rate and Mean Amount Donated as a Function of Experimental Condition

	Mere Donation	Exchange		
		No Value	€3	€0.5
	(n_1 = 52)	(n_2 = 46)	(n_3 = 44)	(n_4 = 42)
Donation rate	50%	61%	39%	74%
Non zero mean amount	€ 1.46	€ 1.93	€ 3.00	€ 1.53

Table 3 Proportion of 'Yes'-Responses as a Function of Experimental Condition

Mere Donation	Priced Donation		Priced Exchange	
Baseline	Low (€0.50)	High (€3.00)	Low (€0.50)	High (€3.00)
(n = 41)	(n = 37)	(n = 40)	(n = 38)	(n = 40)
47%	75%	57%	67%	45%